

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7688

BILL NUMBER: HB 1744

NOTE PREPARED: Jan 16, 2007

BILL AMENDED:

SUBJECT: Special Retail Districts.

FIRST AUTHOR: Rep. Van Haaften

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a city or town to designate a special retail district if the designation is for a proposed economic development project that meets the following criteria:

- (1) The district is established for the purpose of undertaking a project or series of projects involving a total private capital investment of more than \$100,000,000.
- (2) The total capital investment for the project or series of projects will be more than \$500,000,000 at the completion of the project or series of projects.
- (3) The economic development project would not otherwise be accomplished through the ordinary operations of private investment.

The bill also provides that a special retail district may not exceed 400 acres.

This bill provides that if a district is designated, an additional 1% Sales Tax applies to retail transactions within the district. The bill also specifies that this additional 1% Sales Tax is imposed, paid, and collected in the same manner as the state Sales Tax. This bill requires the amounts received from the additional 1% Sales Tax to be:

- (1) paid monthly by the Treasurer of the State to the fiscal officer of the unit that imposed the tax; and
- (2) deposited into a Special Fund.

The bill allows money in the Special Fund to be used by the unit's redevelopment commission for any purpose for which a property tax increment may be used by a redevelopment commission.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR) by requiring the DOR to develop procedures and amend forms and computer software to administer and collect the Supplemental Sales Tax as allowed under the bill. The amount of the increase in costs is indeterminable, but it is estimated that the DOR could implement these provisions through the use of existing staff and resources.

This bill will also increase the administrative costs of the Treasurer of State. The Treasurer would be required to make the distribution of the collections from a Supplemental Sales Tax back to the fiscal officer of the city or town that implemented the tax.

Explanation of State Revenues: The precise impact of the bill on state Sales Tax collections is indeterminable and is contingent on the net new taxable sales the projects in the special retail district generate given the higher district Sales Tax rate. (Note: The net new taxable sales would be the total taxable sales generated in the retail district minus taxable sales displaced by the projects in the district from existing vendors outside the district.) The amount of new sales activity that could potentially arise in the retail district as well as the amount of sales activity that might be shifted from existing vendors to the retail district is unknown.

The bill allows a city or town to designate a special retail district if the designation is for a proposed economic development project that meets the following criteria:

- (1) The district is established for the purpose of undertaking a project or series of projects involving a total private capital investment of more than \$100 M.
- (2) The total capital investment for the project or series of projects will be more than \$500 M at the completion of the project or series of projects.
- (3) The economic development project would not otherwise be accomplished through the ordinary operations of private investment.

The bill also provides that a special retail district may not exceed 400 acres.

Explanation of Local Expenditures: This bill could cause an increase in expenditures for the fiscal body of a city or town that chooses to establish a special district as allowed under the bill. Any increase in expenditures will be offset by the revenue received from the Supplement Sales Tax which the bill allows to be implemented within a special district.

Explanation of Local Revenues: This bill will cause an indeterminable increase in revenue for a city or town that establishes a special retail district. This bill provides that if a district is designated, an additional 1% Supplemental Sales Tax applies to retail transactions within the district. The bill also specifies that this additional 1% Supplemental Sales Tax is imposed, paid, and collected in the same manner as the state Sales Tax.

This bill requires the amounts received from the additional 1% Supplemental Sales Tax to be:

- (1) paid monthly by the State Treasurer to the fiscal officer of the unit that imposed the tax; and
- (2) deposited into a Special Fund.

The bill allows money in the Special Fund to be used by the unit's redevelopment commission for any purpose for which a property tax increment may be used by a redevelopment commission.

Background: Under current law, tax increment financing (TIF) proceeds may be used to:

1. Pay debt service on obligations incurred for the financing of redevelopment in the allocation area;

2. Deposit funds into a debt service reserve to pay bonds;
3. Pay debt service on bonds used to pay for local improvements in or serving the allocation area;
4. Pay premiums on early bond redemptions;
5. Make lease payments;
6. Reimburse the local unit for the cost of making local improvements;
7. Reimburse the local unit for rent paid by the unit for a building or parking facility in or serving the allocation area;
8. Pay a PTRC-like credit to taxpayers in the allocation area;
9. Pay expenses incurred by the redevelopment commission for public improvements in or serving the allocation area; and
10. Reimburse public and private parties for expenses in training employees of certain industrial facilities.

State Agencies Affected: Department of State Revenue; Treasurer of State.

Local Agencies Affected: Cities and towns.

Information Sources:

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